**INVESTING MONEY LESSONS**

Lessons and worksheets for teaching, learning, and understanding basic investing and financial concepts.  
  
This category includes personal finance, money management, and investment educational resources.  
  
Teach and learn stocks, the stock market, investing, savings accounts, bonds, and basic economics.  Material also may be used to improve real-world math skills.

http://www.moneyinstructor.com/images/newsite/spacer.gif**INTRODUCTION TO UNDERSTANDING INVESTING**

Before investing, you first should know the answers to basic questions including:

* How much money do you want to invest?
* What type of investment return do you expect to achieve?
* How much risk are you willing to take?
* What are the tax consequences of your investment decisions?
* How does inflation impact your investments?

Use the following investing lessons to help answer these questions and to teach and learn important investment concepts:

**Suggested Lesson Plan for this Worksheet**

Additional thoughts on risk and return:

The risky investment in this exercise may be stocks, or may be another type of investment.  If you consider the risky investment to be stocks, many people believe that stocks outperform safe investments over the long-term, and therefore showing negative returns (as this worksheet lesson does) may give a false impression that stocks are not good investments.

Our thought is that while it has been true that stocks and bonds have historically outperformed safe investments over the long-term, in the short term you could lose significantly with them.  Also, you could lose significantly if you own particular stocks, rather than a diversified basket of stocks.

Also, even though stocks have outperformed in the past, there is no guarantee that they will in the future -- that is what makes them risky investments -- even over the long-term.  Many people thought stocks would always give positive returns at the top of the market in March, 2000.  No investment return is ever guaranteed  -- there is always a risk.  We can look at historical returns to get a sense of what we may get in the future, however, the past is never a guarantee of the future.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
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**Introduction to Risk and Return**

|  |  |  |
| --- | --- | --- |
| Before investing your money, you will have to understand the important concept of **risk and return**.  Risk and return means that the returns you will get when investing your money will vary.  You may even lose money.  However, no matter what you do with your money, you are always taking some amount of risk.  If you keep your money at home, you risk that it could be lost or stolen.  If you place your money in a bank account, you risk that the returns that you get will not be high enough. |  | http://www.moneyinstructor.com/images/riskreturn.GIF |

Risk and return also means that if you take greater risks, you should expect to get greater returns.  If you want the possibility of getting greater returns, you need to invest your money in more risky investments, for example bonds or stocks.  Different bonds and stocks even have different degrees of risk.  So how much risk should you take with your money?  That depends on many different factors including your age, risk tolerance, and investment objectives.  No matter where you invest your money, you first should understand the investment's risks and potential rewards.

**EXERCISE:**You have been given the option to invest in either a safe investment, or one that has more risk.  The safe investment will give you a return of 5%.  The risky investment's return will vary.  Finish filling in the following table, and answer the questions that follow:

**SAFE INVESTMENT:** Here is the return for the safe investment.  It will always give the same return.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Money to Invest** |  | **Return** |  | **Gain(Loss)** |  | **Total** |  |
|  |  | $10,000.00 |  | 5% |  | $500.00 |  | $10,500.00 |  |

**RISKY INVESTMENT:**The risky investment's return will vary, and may be one of the following.  Finish filling in the following table.  Round each calculation to the nearest penny.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Money to Invest** |  | **Return** |  | **Gain/Loss** |  | **Total** |  |
|  | 1. | $10,000.00 |  | 1% |  | $100.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 2. | $10,000.00 |  | 23% |  | $2,300.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 3. | $10,000.00 |  | -6% |  | ($600.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 4. | $10,000.00 |  | -5% |  | ($500.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 5. | $10,000.00 |  | -14% |  | ($1,400.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 6. | $10,000.00 |  | -3% |  | ($300.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 7. | $10,000.00 |  | 2% |  | $200.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 8. | $10,000.00 |  | -4% |  | ($400.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 9. | $10,000.00 |  | -10% |  | ($1,000.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 10. | $10,000.00 |  | 8% |  | $800.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 11. | $10,000.00 |  | 17% |  | $1,700.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 12. | $10,000.00 |  | -16% |  | ($1,600.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 13. | $10,000.00 |  | 26% |  | $2,600.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 14. | $10,000.00 |  | 23% |  | $2,300.00 |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |
|  | 15. | $10,000.00 |  | -11% |  | ($1,100.00) |  | $\_\_\_\_\_\_\_\_\_\_\_\_ |  |

Should you choose the safe investment or the risky investment?  Why?

**ANSWERS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Beginning Savings** |  | **Interest Rate** |  | **Interest** |  | **Savings in one year** |  |
|  | 1. | $10,000.00 |  | 1% |  | $100.00 |  | $10,100.00 |  |
|  | 2. | $10,000.00 |  | 23% |  | $2,300.00 |  | $12,300.00 |  |
|  | 3. | $10,000.00 |  | -6% |  | ($600.00) |  | $9,400.00 |  |
|  | 4. | $10,000.00 |  | -5% |  | ($500.00) |  | $9,500.00 |  |
|  | 5. | $10,000.00 |  | -14% |  | ($1,400.00) |  | $8,600.00 |  |
|  | 6. | $10,000.00 |  | -3% |  | ($300.00) |  | $9,700.00 |  |
|  | 7. | $10,000.00 |  | 2% |  | $200.00 |  | $10,200.00 |  |
|  | 8. | $10,000.00 |  | -4% |  | ($400.00) |  | $9,600.00 |  |
|  | 9. | $10,000.00 |  | -10% |  | ($1,000.00) |  | $9,000.00 |  |
|  | 10. | $10,000.00 |  | 8% |  | $800.00 |  | $10,800.00 |  |
|  | 11. | $10,000.00 |  | 17% |  | $1,700.00 |  | $11,700.00 |  |
|  | 12. | $10,000.00 |  | -16% |  | ($1,600.00) |  | $8,400.00 |  |
|  | 13. | $10,000.00 |  | 26% |  | $2,600.00 |  | $12,600.00 |  |
|  | 14. | $10,000.00 |  | 23% |  | $2,300.00 |  | $12,300.00 |  |
|  | 15. | $10,000.00 |  | -11% |  | ($1,100.00) |  | $8,900.00 |  |

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**Suggested Lesson Plan for this Worksheet**

An investor is someone who commits money, time, or their own effort to get a return on that investment.  One way to measure the value of that return is called **return on investment, or ROI**.  Return on investment is a calculation of the amount, or percentage, that you have earned (or lost) on an investment you have made.  Returns may be positive or negative.  A positive return on investment would mean you earned money, and a negative return would mean you lost money.  Return on investment is a percentage of the original amount you invested.

Related to return on investment is risk.  **Risk** is the chance that you will lose money.  Different types of investments will give you different returns, and different amount of risk.  In general,  if you invest in an opportunity with a lot of risk, then you should expect to get a higher return on investment.  Low risk investments should give you a lower return on investment.  For example, if you place your money in an insured bank account, your money might be pretty safe, but the return may be 1%.  If you invest in stocks, you might earn 8%.  However, stocks are more risky, and you actually might lose money instead.

The formula is:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ROI  =** | **R - I** | **x 100** |  | R = | Money received after  making the investment. |
| **I** | I = | Original money invested. |

Example:  John invests $100 in a mutual fund for one year.  At the end of the year he has $108.  What was his return on investment?

Answer:  108-100 = 8.   8/100 = .08   .08 \* 100 = 8%

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |  |  | | --- | --- | |  | http://www.moneyinstructor.com/images/moninstitle2w.GIF | | Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

**Introduction to Return on Investment**

|  |  |  |
| --- | --- | --- |
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The formula is:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Return on Investment (ROI)  =** | **R - I** | **x 100** |  | R = | Money received after making the investment. |
| **I** | I = | Original money invested. |

Example:  John invests $100 in a mutual fund for one year.  At the end of the year he has $108.  What was his return on investment?

Answer:  108-100 = 8.   8/100 = .08   .08 \* 100 = 8%

**EXERCISE:**Finish filling in the following table:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Money  Received  **R** |  | Money  Invested  **I** |  | Gain or  Loss  **R - I** |  | Return on  Investment  **Gain or Loss/I \* 100** |  |
|  | 1. | $10,100.00 |  | $10,000.00 |  | $100.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 2. | $11,400.00 |  | $10,000.00 |  | $1,400.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 3. | $10,500.00 |  | $10,000.00 |  | $500.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 4. | $9,200.00 |  | $10,000.00 |  | ($800.00) |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 5. | $11,100.00 |  | $10,000.00 |  | $1,100.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 6. | $11,000.00 |  | $10,000.00 |  | $1,000.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 7. | $10,900.00 |  | $10,000.00 |  | $900.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 8. | $12,500.00 |  | $10,000.00 |  | $2,500.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 9. | $12,900.00 |  | $10,000.00 |  | $2,900.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |
|  | 10. | $10,200.00 |  | $10,000.00 |  | $200.00 |  | \_\_\_\_\_\_\_\_\_\_\_\_% |  |

**ANSWERS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Money Received** |  | **Money Invested** |  | **Gain/Loss** |  | **Return on Investment** |  |
|  | 1. | $10,100.00 |  | $10,000.00 |  | $100.00 |  | 1% |  |
|  | 2. | $11,400.00 |  | $10,000.00 |  | $1,400.00 |  | 14% |  |
|  | 3. | $10,500.00 |  | $10,000.00 |  | $500.00 |  | 5% |  |
|  | 4. | $9,200.00 |  | $10,000.00 |  | ($800.00) |  | -8% |  |
|  | 5. | $11,100.00 |  | $10,000.00 |  | $1,100.00 |  | 11% |  |
|  | 6. | $11,000.00 |  | $10,000.00 |  | $1,000.00 |  | 10% |  |
|  | 7. | $10,900.00 |  | $10,000.00 |  | $900.00 |  | 9% |  |
|  | 8. | $12,500.00 |  | $10,000.00 |  | $2,500.00 |  | 25% |  |
|  | 9. | $12,900.00 |  | $10,000.00 |  | $2,900.00 |  | 29% |  |
|  | 10. | $10,200.00 |  | $10,000.00 |  | $200.00 |  | 2% |  |

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